

**Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20554**

Federal-State Joint Board on
Universal Service

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CC Docket No. 96-45

COMMENTS OF MCI

Pursuant to the Commission's *Notice*,¹ MCI submits these comments concerning the use of updated wire center line counts and the treatment of special access lines in calculating high-cost universal service support for non-rural carriers.

I. INTRODUCTION

In the *Notice*, the Bureau seeks additional comment on issues raised by parties concerning special access line updates in response to the *2003 Line Counts Public Notice*.² The Bureau notes that in their responses to the *2003 Line Counts Public Notice*, several parties contended that: (1) the treatment of special access lines in the Synthesis Model causes the model to overestimate the number of lines served, and therefore underestimate per-line costs; (2) recent growth in DS-3 special access lines exacerbates this effect; and, (3) the method used to allocate special access lines reported in ARMIS to wire centers understates per-line costs in rural and high-cost areas by assigning too many

¹ *Wireline Competition Bureau Seeks Further Comment On Updating Line Counts Used In Calculating High-Cost Universal Service Support For Non-Rural Carriers*, DA 03-2469, Docket No. 96-45 Public Notice, (released July 24, 2003) (*Notice*).

² *Wireline Competition Bureau Seeks Comment On Updating Line Counts and Other Limited Information Used In Calculating High-Cost Universal Service Support For Non-Rural Carriers*, CC Docket No. 96-45, Public Notice, 18 FCC Rcd 49 (2003) (*2003 Line Counts Public Notice*).

lines to these areas. Based on these contentions, the Bureau seeks additional comments in the instant *Notice* on whether, given the recent trends in special access line growth, zeroing out special access lines would be a reasonable approach to estimating costs using the current model platform, on alternative proposals for estimating special access line growth, on whether it should continue to use its current methodology for allocating special access lines to wire centers, or on whether it should adopt an alternative methodology.³

II. THE BUREAU SHOULD NOT MODIFY ITS PROCEDURES BASED ON PARTIES' CONTENTIONS UNTIL IT DETERMINES THAT THOSE CONTENTIONS ARE CORRECT

This *Notice* seeks comment on possible changes to the current methodology for computing universal service support, based solely on “contentions” by some parties. Until the Bureau determines that these contentions are true, however, the Bureau need make no modifications to its existing methodology. MCI knows of no such finding by the Bureau, nor is it aware of any proof of the contentions offered by the parties making them.

The contentions cited in the *Notice* are two-fold: first, that counting special access lines based on the equivalent number of voice grade loops overstates the number of loops; and second that using data collected in 1999 to allocate the resulting number of special access lines among wire centers over-assigns lines to rural and high cost wire centers. As to the first claim, it is far from clear that the number of lines used in the model is overstated. In fact, the use of only circuit switched special access lines may well understate the number of lines in service. With the recent growth in packet switched

³ *Notice* at 2-3.

data services, such as digital subscriber line (DSL), the number of lines included in the estimate of universal service costs may indeed be underestimated. Correcting for an alleged overstatement of lines without at the same time correcting for a known understatement of lines would be inappropriate.

As to the second contention, the only way of knowing that the number of special access lines is overstated in the rural and high-cost wire centers using the current methodology is by updating the data collected in 1999 that showed what the distribution of lines was at that point in time. Without these data, any claim that lines today are overstated by this methodology is nothing but pure speculation. If any correction is needed in the current methodology, MCI believes that requiring this updated data would be the appropriate measure.

III. ZEROING OUT SPECIAL ACCESS LINES WOULD BE INAPPROPRIATE

The Commission's guidelines regarding forward-looking economic cost in the Synthesis Model clearly state that the demand for all service types must be included in order to reflect the total economies of scale and scope of the network.⁴ Thus, the proposal in the *Notice* to zero out special access demand lines would be inconsistent with this specific Commission guideline, and should not be adopted. In fact, following this guideline requires that DSL and any other packet switched demand be included, as discussed supra. Excluding these demands causes the current estimates to significantly overstate the cost of providing supported switched services.

⁴ See *Federal-State Joint Board on Universal Service*, CC Docket No. 96-45, Report and Order, 12 FCC Rcd 8776, para. 250 (sixth criteria) (1997) (*First Report and Order*).

IV. LINE COUNTS SHOULD INCLUDE BOTH WHOLESALE AND RETAIL LINES

The Bureau seeks comment on whether to update the cost model with year-end 2002 line count data by line type filed July 31, 2003 for purposes of estimating average forward-looking costs and determining support for non-rural carriers following a Commission decision in the *Ninth Report and Order* remand proceeding.⁵ The data that the Bureau uses to estimate forward-looking costs should include both retail and wholesale demand. If the 2002 line count data exclude the incumbent LECs' wholesale lines, these data will understate demand in the switched network, and thus not reflect the economies of scale and scope required by the Commission's guidelines. Thus, the Bureau should use the 2002 line count data only once it ensures that these data include all lines, both retail and wholesale, in the switched network.

⁵ See Notice at 3.

V. CONCLUSION

For the foregoing reasons, the Commission should not adopt its proposal to zero out special access lines in the computation of universal service costs using the current model platform. At a minimum, the Bureau should use 2002 line counts that include both wholesale and retail lines, to ensure that all economies of scale and scope are captured. In addition, the Bureau should also include in the cost model the demand for DSL and any other packet switched services, to accurately reflect the economies of scale and scope that provision of those services allows.

Respectfully Submitted,

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September 2, 2003

STATEMENT OF VERIFICATION

I have read the foregoing and, to the best of my knowledge, information, and belief, there is good ground to support it, and it is not interposed for delay. I verify under penalty of perjury that the foregoing is true and correct. Executed on September 2, 2003.

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